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U.S. FED KEPT THE FFR STEADY, MORE CLUES POINT TOWARDS A DECEMBER MOVE

Fed delivered a pause but continued to signal a bias for tightening. The U.S. Federal Reserve (Fed) left its Federal Funds Rate (FFR) unchanged at 3.75%-4.00% last week, in line with market expectations. Despite the pause, the underlying message indicates that the decision was more of a hawkish hold, allowing the Board to continuously assess incoming macroeconomic data in validating its policy trajectory. Notably, the decision came about a 7-2 vote split, with Board members Fed Governor Lisa Cook and Cleveland Fed President Beth Hammack dissenting in favor of a 25-bp rate increase. The dissent highlighted an apparent hawkish divide within the Board as inflation remains the center point of discussion, suggesting growing concerns among some members that the current level of monetary settings may not be sufficiently restrictive to contain inflationary pressures.

The policy statement corroborated this narrative, acknowledging that inflation remains elevated and reaffirming the Fed's commitment to delivering price stability. Job gains have also remained in line with the workforce growth while unemployment rate remains broadly stable, granting the central bank greater flexibility to pursue further policy action. Notably, the statement noted that economic activity is expanding at a "strong pace", an upward shift from the previous wording of "solid pace", indicating that the economy is stronger than initially expected amid robust Artificial Intelligence (AI) investment and resilient private consumption. As such, the upgrade in the Fed's assessment signaled growing confidence over the economy's ability to withstand potentially tighter monetary conditions and intensifying supply-side pressures, therefore preserving the scope for a December move.

Post-meeting communication further reinforced the hawkish bias. Fed Chair Kevin Warsh emphasized that inflation has been trending above target for nearly six years, highlighting the persistence of underlying price pressures. Annual headline Personal Consumption Expenditure (PCE) inflation has remained above the 2.0% target since March 2021, averaging at 3.9% up to September 2026, while core PCE inflation averaged 3.7% over the same period. Warsh also reiterated that policy decisions are guided by broader macroeconomic trends, rather than isolated data points. As such, the convergence of a persistently elevated inflation trajectory, rising pipeline price pressures and lingering external uncertainties continue to build the case for more restrictive monetary prospects. Further complementing this outlook are the job market and resilient economic momentum. Strong capital investment, particularly in AI, resilient domestic spending, and productivity growth are highlighted as the key support for the stronger-than-expected economic growth as of 9M2026, while employment conditions have remained healthy. Taken together, these factors prompted a hawkish reassessment of the Fed's policy expectations, with the probability of a December hike rising to nearly 85.0%, compared to 73.3% a week before.

Higher energy prices emerged as the primary driver of inflation. Headline PCE inflation accelerated to 0.5% m-o-m in September (Aug: 0.3%), the fastest pace since March as goods inflation strengthened (Sep: 0.8% vs. Aug: 0.3%),

while services inflation remained unchanged at 0.3%. The rise in goods prices was broad-based across both durable (Sep: 0.2 vs. Aug: 0.1%) and non-durable goods (Sep: 1.1% vs. Aug: 0.5%). Within the latter, inflation for food and non-alcoholic beverages (Sep: 0.0%) and clothing and footwear (Sep: 0.2%) remained largely stable, while other non-durable goods prices rebounded slightly to 0.2% (Aug: -0.1%). Most importantly, energy-related segments fueled much of the upward pressure, reflecting elevated global oil prices during the period. The gasoline and other energy goods index jumped sharply to 9.2% (Aug: 4.4%), driven by the gasoline (Sep: 9.3% vs. Aug: 4.1%) and fuel oil (Sep: 15.3% vs. Aug: 10.2%) components, both of which marked the highest levels since the escalation of U.S.-Iran tensions in March. Pass through effects were also evident in the household utility basket, electricity prices climbed to 0.3% (Aug: -0.2%), while the contraction in natural gas prices moderated to 0.3% (Aug: -1.1%). On an annual basis, headline PCE inflation rose to 3.6%, up from 3.4% in August, further diverging away from the Fed's 2.0% target.

Underlying price pressures showed signs of broadening. While services inflation remained steady at 0.3%, price gains firmed across several components, including transportation (Sep: 2.1% vs. Aug: 1.1%), recreation (Sep: 0.4% vs. Aug: -0.1), financial and insurance (Sep: 0.4% vs. Aug: 0.3%), housing (Sep: 0.3% vs. Aug: 0.2%), and household utilities (Sep: 0.2% vs. Aug: -0.2%). In contrast, food services and accommodation eased to 0.4%, down from 0.5% in August. Coupled with the pickup in goods inflation, the breadth of these increases suggest that energy-driven price pressures are increasingly filtering through into the wider economy. Reflecting this trend, core PCE inflation also rose to a four-month high of 0.3%, bringing the annual rate up to 3.1% (Aug: 3.0%). With both headline and core PCE inflation remaining above target, this keeps the likelihood of a December rate hike firmly in focus.

Upcoming Events: Key Economic Data Release

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Monday	S&P Global Manufacturing PMI (October)
Tuesday	RBA Policy Decision, U.S. Midterm Elections, U.S. JOLTS Job Openings (September)
Wednesday	Australia Household Spending (September), Euro Area Consumer Prices (October), U.S. Trade Performance (September), S&P Global Services PMI (October), ADP Employment Change (October)
Thursday	BoJ Monetary Policy Meeting Minutes, BoE Policy Decision, BNM Policy Decision, Australia Trade Performance (September), Singapore Retail Sales (September), Euro Area Producer Prices (September), Challenger Job Cuts (October)
Friday	U.S. Labour Market (October), Euro Area Retail Sales (September), Japan Average Cash Earnings (September)

Table 1: Selected Currencies Overview

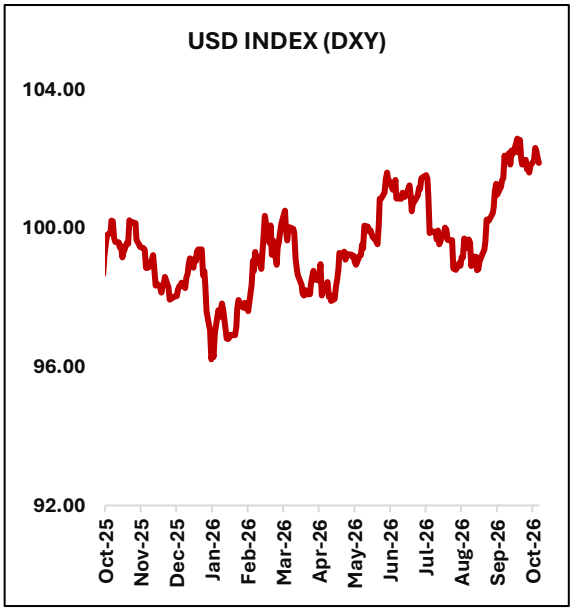
	16-Oct	23-Oct	30-Oct	WoW	YTD
DXY Index	101.84	101.81	101.88	0.1%	3.6%
USDMYR	4.08	4.09	4.06	-0.7%	-0.1%
XAUUSD	4,165.58	3,996.10	3,874.62	-3.0%	-10.3%
EURUSD	1.12	1.12	1.12	-0.4%	-5.0%
GBPUSD	1.33	1.34	1.34	0.1%	-0.6%
AUDUSD	0.69	0.70	0.70	-0.1%	5.4%
USDSGD	1.28	1.28	1.28	0.0%	-0.6%
USDJPY	158.02	156.87	157.56	0.4%	0.5%
USDCNY	6.69	6.67	6.65	-0.2%	-4.8%

Sources: Bloomberg, Bank Islam

Commentaries

DXY: USD index staged a late-week pullback amid broad AI sell-off

USD sentiments were initially bullish last week, supported by a backdrop of higher oil prices, rising geopolitical risks, and expectations of further Fed tightening. As such, the USD index opened on a firm footing, continuing to trade within a range of 101.80 and 102.50. Hawkish Fed guidance amid the October FOMC meeting reinforced expectations of a potential December rate hike, with the probability rising to almost 85.0% post-meeting. Such expectations was further bolstered by the release of U.S.' advance 3Q2026 GDP and PCE inflation figures, where the latter pointed to intensifying inflationary pressures across both consumer goods and services. Meanwhile, the economy proved to be more resilient than expected, with the ongoing AI investment upcycle funneling a strong boost to domestic demand. GDP growth accelerated to an annualised 3.4% (2Q26: 2.2%), the highest level in four quarters, underpinned by broad-based expansions across private investment (3Q26: 19.4% vs. 2Q26: 4.6%), personal consumption (3Q26: 3.8% vs. 2Q26: 3.8%), and government spending (3Q26: 5.3% vs. 2Q26: -0.1%). However, sentiments shifted towards the end of the week as a broad sell-off in technology stocks triggered a rally in U.S. Treasury bonds. Disappointing earnings results from major tech companies, including Intel and Amazon, fueled concerns that AI-related valuations are increasingly stretched. The consequent rotation into fixed income assets pushed Treasury yields lower, with the 10-year yield falling below the 5.0% threshold on 29 October to close the week at 4.923%, exerting pressure on the USD. The USD subsequently tested the immediate support of 102.0, breaking decisively below this level during Friady's session to close at 101.88.



Source: Bloomberg

Short-term Outlook: This week will feature a range of major catalysts for the USD, with the September JOLTS job report setting the stage on Tuesday. This report will offer a glimpse into the labour market, although markets will likely refrain from making aggressive adjustments to Fed expectations until additional employment indicators are released. Most importantly, investor attention will be firmly trained on the U.S. midterm elections. The outcome would have important implications for the policy landscape, particularly in regard to fiscal priorities, trade policies and geopolitical involvement. A Democrat-majority Congress may complicate the administration's policy agenda, while a continuation of Republican control could renew concerns over existing policy directions, especially amid mounting geopolitical tensions elsewhere. Thus, the USD will likely trade cautiously in the early half of the week. Attention is expected to return to macro data and Fed policy expectations by mid-week following the release of ADP employment report, Challenger job cuts and nonfarm payrolls (NFP) figures. Should labour market conditions remain resilient, expectations for a restrictive Fed policy stance are likely to stay intact. Thus, we expect the DXY to trade within a mildly bullish range of 101.30-102.80 this week.

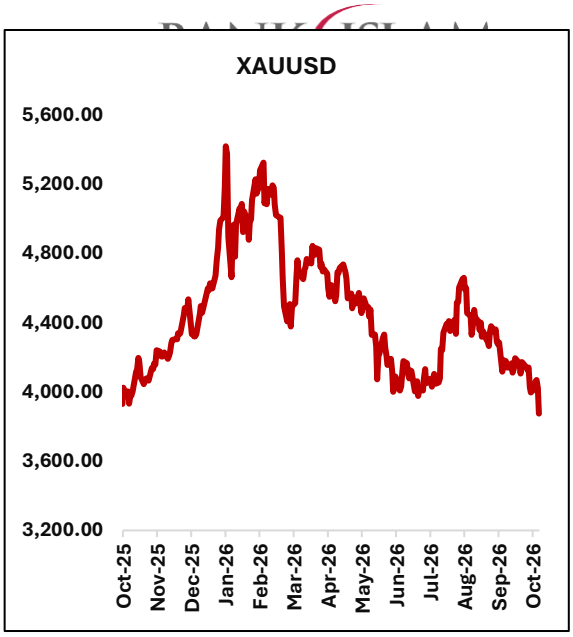
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XAUUSD: Gold price as higher oil prices reinforce expectations of monetary policy tightness

Gold (XAU) price declined by 3.0% w-o-w for the week ending 30 October as expectations of prolonged monetary policy tightness among major central banks overshadowed safe-haven demand for the bullion. Risk aversion remained elevated ahead of the U.S. midterm elections, underpinned by growing jitters of a potential escalation of the Middle East conflict. Given Trump's earlier remarks, coupled with incoming reports over the past weeks of increased U.S. military deployment in the region and precautionary evacuation orders by several countries, markets are increasingly concerned over an imminent escalation in military operations. Tensions over the Strait of Hormuz have also intensified amid two separate tanker incidents, heightening fears of potential disruptions to energy and trade flows. Moreover, hostilities between Saudi Arabia and Yemen's Houthi have escalated, further raising the risk of a broadening regional conflict. While these developments provided underlying support to gold, keeping the XAU anchored above the 4,000-threshold for much of the week, they simultaneously

drove oil prices higher, with Brent crude rising above USD110/bbl and WTI climbing over USD100/bbl over the week. As such, rising energy-related inflationary pressures have reinforced expectations of more restrictive monetary policy for longer, dimming the relative attractiveness of the non-yielding bullion. As a result, the XAU breached decisively the 4,000-support level last Friday before extending its losses below 3,900 to close the week at 3,874.62, the lowest level since October 2025.

Short-term Outlook: Looking ahead, gold is expected to remain under pressure as investor attention remains fixed on the U.S. midterm elections, geopolitical developments and evolving monetary policy expectations. An escalation in Middle East tensions could further heighten concerns over disruptions to global trade routes and energy supplies, likely triggering a sharper increase across oil prices. This would reinforce inflationary pressures and strengthen prospects of prolonged monetary policy tightness, which could lead to intensified selling pressure for gold. Nonetheless, heightened geopolitical uncertainty should also provide the XAU with some safe-haven support. From a technical perspective, the immediate support emerges around 3,850 while immediate resistance is seen around 3,945 followed by 4,085.



Source: Bloomberg

EURUSD: EUR declined amid growing uncertainty over France's outlook

The euro (EUR) weakened by 0.4% w-o-w, pressured by political and fiscal concerns in France, alongside uncertainties surrounding the European Central Bank (ECB)'s leadership transition. Persistent social unrest in France, marked by nationwide protests, and growing uncertainty ahead of the 2027 presidential election led to a broad sell-off in French government bonds, pushing the 10-year OAT yield higher, which briefly touched the highest level in over two decades at 5.076%. While markets continue to price in the likelihood of additional ECB tightening, the meeting delivered less hawkish-than-expected signals, prompting investors to reduce more aggressive policy expectations and limiting upside support to the EUR. Last week, the ECB unanimously voted to keep the main refinancing rate unchanged at 2.65% and the deposit facility rate at 2.50%. Most importantly, the ECB warned that elevated energy prices present as double-sided risks to both inflation and economic activity, particularly if indirect and second-round effects become more pronounced. Adding to the cautious tone, ECB President Christine Lagarde revealed that Board members discussed the possibility of a rate hike but ultimately agreed to maintain rate at current levels. Taken together, the policy decision was interpreted as the ECB exercising more caution in navigating the challenging landscape, signalling a more balanced approach. EUR sentiments were further dampened by reports that Lagarde plans to step down before the end of her term, igniting jitters surrounding the leadership transition and the future direction of ECB's policy trajectory. Against this backdrop, the EUR/USD currency pair depreciated, touching the weakest level since April 2025 at 1.1105 on 29 October. Nevertheless, underlying support for the EUR emerged from a stronger-than-expected 3Q2026 growth and persistent inflation concerns linked to ongoing geopolitical uncertainties, helping the EUR retrace part of its losses towards the end of the week.

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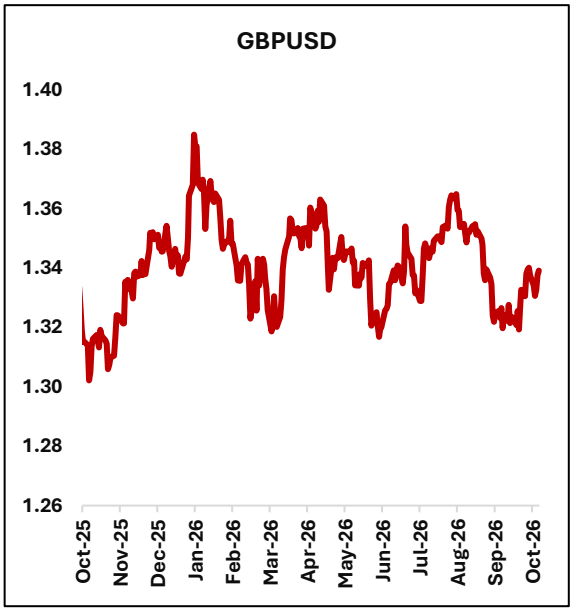
Short-term Outlook: Looking ahead, key releases on the calendar are both the consumer and producer inflation data, which should provide further insights into domestic price dynamics. Evidence of intensifying pipeline price pressures and firmer consumer inflation would strengthen the case for more restrictive rates. Coupled with oil prices trending at elevated levels and concerns of a broadening Middle East conflict, these catalysts will continue to underpin expectations of additional tightening, providing modest support to the EUR. Nevertheless, prolonged social unrest in France may limit the EUR's appeal for risk-averse investors. As such, we expect the EUR/USD pair to consolidate with a neutral-to-mildly bearish bias within a projected range between 1.1130-1.1230 this week.



Source: Bloomberg

GBPUSD: British Pound climbed following the UK's Autumn Budget

The British pound (GBP) edged higher by 0.1% w-o-w, supported by growing confidence over the UK's growth outlook following Chancellor John Healey's Autumn Budget. Sentiments were lifted by the Office for Budget Responsibility (OBR)'s upward revision of its 2026 growth forecast to 1.2%, broadly consistent with the IMF's recent upgrade to 1.3%, reflecting stronger economic momentum than anticipated. The Autumn Budget also introduced key measures to support domestic activity through household, business and public spending. These include raising the minimum wage and national living wage by 3.9%, aiming to increase household purchasing power and stimulate spending. Additionally, an extension of electricity VAT relief and fuel duty cuts until July 2027 was announced, which should help shield households from volatile oil prices. Beyond energy costs, the government also aimed to extend the suspension of selected import tariffs for a year. Support for businesses will be provided through raising the threshold for small business rate relief for the hospitality sector from £12,000 to £18,000, alongside a two-year real-terms freeze in business rates for larger firms. Meanwhile, the government's £650 million commitment towards AI-related initiatives is expected to strengthen productivity growth and bolster long-term growth potential. These initiatives include supporting local AI partnerships, expanding AI adoption across the civil service, establishing a sovereign AI unit, advancing domestic semiconductor capabilities, and strengthening AI safety and security frameworks. Overall, positive spillovers stemming from the Budget measures are expected to be generated across key economic sectors, providing modest support to the GBP.



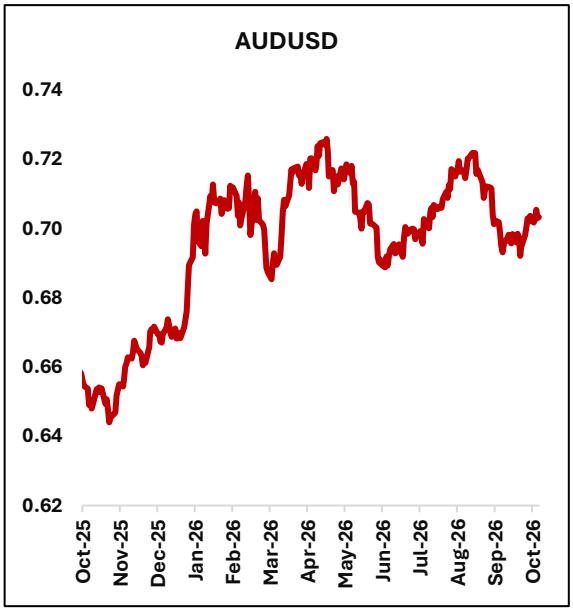
Source: Bloomberg

Short-term Outlook: Market attention this week will centre on the Bank of England (BoE)'s policy meeting on 5 November, of which investors have largely priced in the probability of a rate hike. The expectations are supported by the widening hawkish divide within the Committee, as seen in the September meeting, and rising inflationary pressure. Headline inflation had risen to 3.5% in September, the highest since October 2025, while core inflation climbed to 2.8%. Meanwhile, factory gate prices jumped to 4.6% in September, its fastest pace since April 2023. As such, these factors have fuelled the odds of a rate increase this week, with GBP sentiments expected to remain constructive. Thus, the GBP/USD pair is expected to trade within 1.3320–1.3450 in the near term.

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AUDUSD: Australian Dollar depreciated despite rising inflation

The Australian dollar (AUD) edged 0.1% lower w-o-w last week as investors adopted a more cautious stance ahead of the Reserve Bank of Australia (RBA)'s policy meeting on 3 November. For most of the week, the AUD remained well-supported by rising expectations of additional RBA policy tightening amid a hotter-than-expected inflation release and hawkish remarks from RBA Governor Michele Bullock. Bullock warned that upside risks to inflation are becoming more evident and could drive price pressures to overshoot the RBA's August forecast. This signalled that inflation may potentially deviate further than initially expected, fuelling concerns of a more aggressive policy response. Hotter-than-expected inflation data further reinforced this view. Headline inflation accelerated to a six-month high of 4.3% in September (Aug: 4.0%), surpassing consensus estimates of 4.2%. The increase reflected higher costs across key segments, including transportation (Sep: 8.7% vs. Aug: 5.6%), food and non-alcoholic beverages (Sep: 3.2% vs. Aug: 3.0%), and recreation and culture (Sep: 4.5% vs. Aug: 2.9%), while prices for housing inflation remained well above target (Sep: 5.2% vs. Aug: 5.7%). On a monthly basis, headline inflation rose by 0.8% (Aug: 0.4%). Meanwhile, trimmed mean CPI rose to 3.6% on an annual basis (Aug: 3.5%) and 0.3% on a monthly basis (Aug: 0.2%). Concerningly, these figures suggest that underlying price pressures continued to broaden beyond energy-related components, increasing the risk of entrenchment. As such, this prompted a hawkish reassessment of RBA's policy trajectory, providing modest support to the AUD, although the currency pared some gains towards the end of the week as investors positioned for the policy meeting.

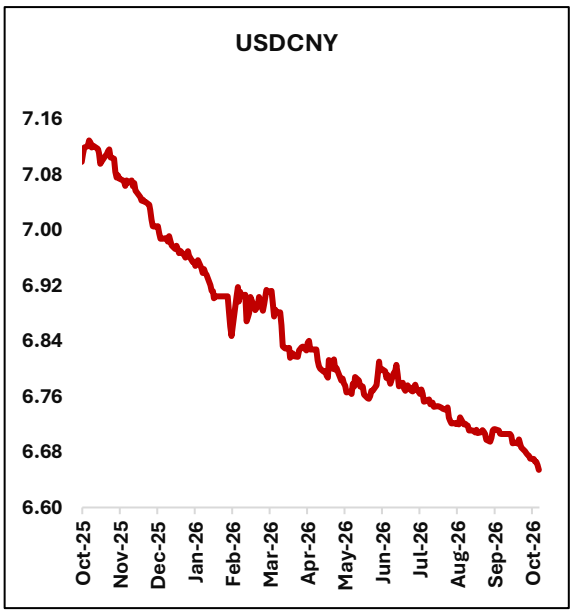


Source: Bloomberg

Short-term Outlook: This week, central to investor attention will be RBA's policy decision on 3 November, where markets have largely priced in the probability of a 25-bp rate hike, which would bring the cash rate to 4.85%. Th crux of the meeting will be the RBA's forward guidance, particularly following Bullock's recent remarks of mounting upside risks to inflation. With markets eyeing the possibility of a more forceful response, a hawkish policy tone or any indication that the Board is prepared to tighten further will reinforce this narrative, offering fresh catalysts for the AUD. Conversely, a disappointing message may exert near-term pressure on the currency. Against this backdrop, we expect the AUD/USD pair to trade with a mild bullish bias within the 0.6970-0.7070 range this week.

USDCNY: Chinese Yuan outperformed amid a pullback in the USD

The Chinese yuan (CNY) edged 0.2% w-o-w higher despite a relatively light macroeconomic calendar. In the first half of the week, the absence of fresh catalysts kept the USD/CNY currency pair trading range-bound between 6.6610-6.6710. Nevertheless, the CNY continued to derive support from underlying support from ongoing efforts to support the currency while conversely, a late-week pullback in the USD, driven by a broad sell-off in AI-related equities and a rally in Treasury bonds, added further support. As a result, the USD/CNY pair eased towards the end of the week, breaking below the key 6.66-support level to close at 6.6549, the lowest level since April 2022.



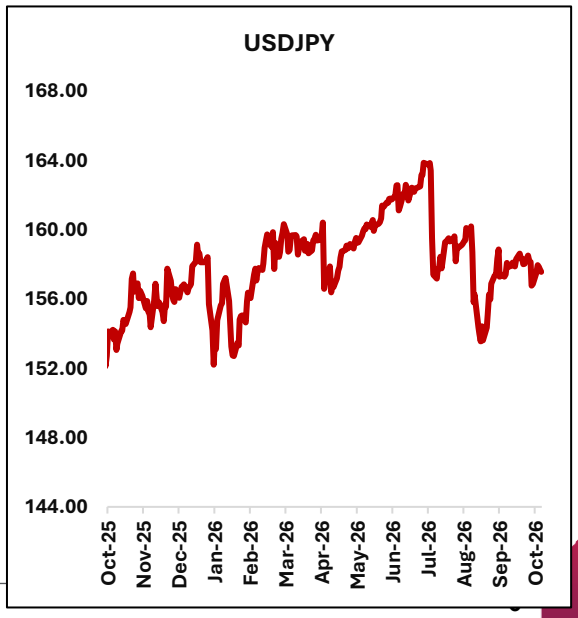
Source: Bloomberg

Short-term Outlook: Looking ahead, key releases this week will be China's Composite and Services Purchasing Managers' Index (PMI). These data follow the official Manufacturing PMI, which unexpectedly declined to 49.3 in October (Sep: 50.1), the weakest level since July, marking a return to contractionary territory. The deterioration was driven by subdued domestic demand as effects from the Golden Week holiday dissipated, alongside a slowdown in external demand, despite continued strength in AI-related segments. Evidently, new orders fell (Oct: 49.4 vs. Sep: 50.5), partly driven by a drop in new export orders (Oct: 48.7 vs. Sep: 50.0), underscoring softer output levels (Oct: 49.3 vs. Sep: 50.1). Reflecting this, purchasing activity declined (Oct: 48.9 vs. Sep: 51.0) while employment continued to shrink (Oct: 48.4 vs. Sep: 48.4). Business confidence weakened to a seven-month low of 53.4 (Sep: 53.8), signalling that business owners are increasingly cautious of the near-term outlook amid a weakening demand environment. With the emerging signs of a downturn in the manufacturing sector, upcoming PMI data will be closely scrutinised to determine whether this weakness is spilling over into the broader economy. Any indication of weaker underlying economic momentum may reignite growth concerns, overshadowing stronger-than-expected 3Q2026 GDP data earlier. Nevertheless, sentiments should remain in favour of the CNY. As such, we expect the pair to maintain a bearish bias, trading within the 6.6510-6.6630 range this week.

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USDJPY: Japanese Yen weakened while the BoJ remained steady

The Japanese yen (JPY) depreciated by 0.4% w-o-w last week, although losses were partially recovered towards the end of the week following hawkish Bank of Japan (BoJ) policy signals. Initially, sentiments on the JPY remained cautious ahead of the BoJ policy meeting, with markets widely expecting the BoJ to keep its interest rate steady, limiting near-term support for the Yen. Nevertheless, the JPY soon strengthened as incoming macro data continued to reinforce expectations of additional BoJ tightening. Japan's unemployment rate edged lower to 2.4% in September (Aug: 2.5%), pointing towards an improvement in labour market conditions. The number of unemployed persons also fell by 100K to 1.67 million, while employment increased by 340K to a four-month high of 68.68 million. Meanwhile, Tokyo's headline inflation, which is viewed as the leading indicator of Japan's inflation trends, accelerated to 2.8% in October (Sep: 2.7%), the strongest level since July 2025, reflecting higher oil prices during the month. Although core and *core* core inflation eased to 2.6%, from 2.7% and 2.9%, respectively, these measures remain elevated above the BoJ's 2.0% target. This highlighted the persistence of underlying price pressures, warranting more restrictive monetary conditions to contain these inflationary risks. Furthermore,



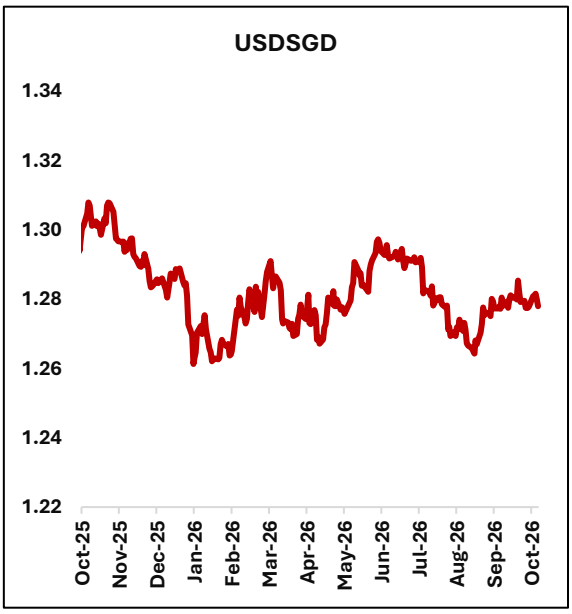
the BoJ voted 8-1 to maintain its interest rate at 1.25%, with Board member Hajime Takata dissenting in favour for a 25-bp rate hike. The split underscored growing support within the Board for further policy normalization amid concerns of falling behind the curve relative to other major economies, with Takata arguing for faster hikes towards the neutral rate. The BoJ also indicated scope for further rate increases, noting that underlying inflation had aligned with the 2.0% target while financial conditions remain accommodative. In its quarterly outlook, the BoJ maintained its 2026 inflation forecast at 2.5% while raising its growth projection to 0.7% from 0.6%, signalling growing confidence over the outlook. These developments provided support to the JPY, allowing the USD/JPY to retrace part of its gains during Friday's session.

Short-term Outlook: This week will feature BoJ's policy meeting minutes, offering a closer look at policy deliberations. Any indication that policymakers are becoming increasingly concerned about rising inflationary pressures or are discussing a faster pace of policy normalisation would reinforce expectations of a rate increase in the near term, which will keep sentiments on the JPY bullish. Additionally, the recent moderation in USD strength should also help limit upside pressure on USD/JPY. However, JPY sentiments may deteriorate should investors become less convinced of the BoJ's commitment for further policy normalisation. As such, we expect USD/JPY to trade with a mildly bullish bias within the 157.30 to 158.50 range this week.

USDSGD: Singaporean Dollar traded range bound as producer prices rose

The Singapore dollar (SGD) traded horizontally last week, as rising pipeline inflationary pressures in Singapore provided support to the SGD against a relatively firm USD. From a technical perspective, the SGD initially faced pressure following a moderation in industrial production. Manufacturing activity eased to 3.4% in September (Aug: 15.4%), the lowest level in over a year, amid a broad-based slowdown in previously outperforming segments, including electronics (Sep: 5.7% vs. Aug: 28.3%) and precision engineering (Sep: 31.0% vs. Aug: 33.0%), alongside a decline in biomedical manufacturing (Sep: -32.8% vs. Aug: 2.3%). The moderation ignited concerns that the global AI-related demand is gradually weakening, potentially dampening Singapore's export-reliant growth outlook. Nevertheless, intensifying price pressures at the production level reinforced expectations of a tighter monetary response by the Monetary Authority of Singapore (MAS), providing modest support to the SGD. Of note, the producer price index (PPI) surged to a record-high of 48.0% y-o-y in September (Aug: 38.8%), driven by higher costs for mineral fuels, lubricants, and related materials (Sep: 78.9% vs. Aug: 57.4%), machinery and transport equipment (Sep: 55.5% vs. Aug: 47.7%), and chemicals and chemical products (Sep: 17.0% vs. Aug: 13.8%). On a monthly basis, PPI rose sharply to 7.3%, compared to 4.1% in August. The continued rise in inflationary pressures raised the risk of passthrough into a wider set of consumer categories. In light of this, markets are pricing in the possibility of tighter monetary policy to contain these pressures despite relatively moderate consumer inflation. Coupled with the USD easing towards the end of the week, the USD/SGD pair remained well-anchored around the 1.2770-1.2820 range.

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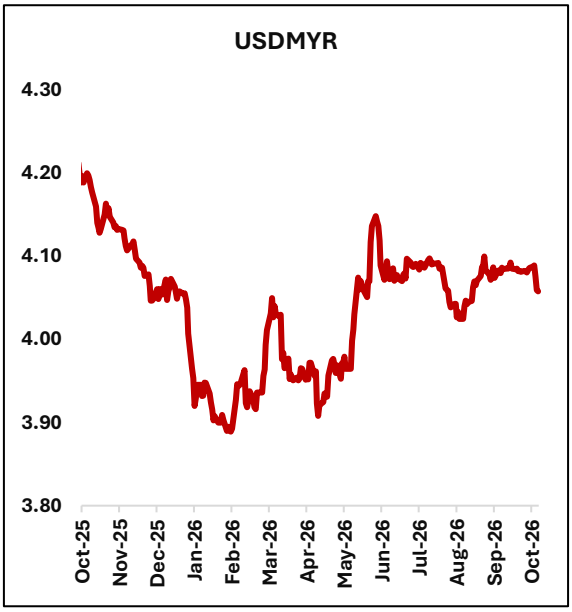


Source: Bloomberg

Short-term Outlook: Looking ahead, market focus will be on the release of Singapore's September retail sales data, which will provide clearer insights on household demand. Any indication of resilient consumer spending will provide room for MAS to deliver any necessary policy action, further bolstering the SGD. Conversely, a slowdown in consumer spending will renew jitters over domestic growth prospects, narrowing the scope for policy tightening and weighing on the SGD. Furthermore, heightened geopolitical uncertainties will likely limit flows towards riskier emerging market assets. Against this backdrop, we expect the USD/SGD pair to trade within a mildly bullish range of between 1.2770–1.2820 this week.

USDMYR: The Ringgit appreciated as bias tilted towards BNM tightening

The Ringgit (MYR) strengthened by 0.7% w-o-w last week, deriving underlying support from steady policy guidance by the Bank Negara Malaysia (BNM) and rising domestic producer cost pressures. Markets widely expect BNM to maintain the Overnight Policy Rate (OPR) at 2.75% throughout this year, while bias remained tilted towards potential tightening in 2027, bolstering MYR sentiments. Such expectations were guided by its commitment in balancing growth and price stability, increasing the perceived stability of BNM's policy framework and enhancing MYR's relative appeal against a backdrop of heightened external volatility. Hotter-than-expected macro data further reaffirmed this narrative. Notably, Malaysia's PPI accelerated to 12.0% in September (Aug: 10.7%), the fastest increase since November 2021, driven by higher costs across the manufacturing (Sep: 9.4% vs. Aug: 8.8%) and mining (Sep: 54.1% vs. Aug: 41.2%) sectors amid higher commodity prices linked to supply concerns amid the Middle East conflict. In contrast, prices moderated for agriculture (Sep: 2.9% vs. Aug: 4.6%), water supply (Sep: 5.5% vs. Aug: 7.8%), and electricity and gas by (Sep: 3.2% vs. Aug: 6.4%). On a monthly basis, producer prices climbed 1.6% (Aug: 1.0%). The persistence of producer prices has fueled concerns of more pronounced second-round effects on consumer inflation while Malaysia's economy is expected to remain resilient, albeit with a slight moderation. Taken together, the balance of risks remained tilted towards tighter monetary policy, providing modest support to the MYR. These catalysts allowed the MYR to outperform the USD, with the USD/MYR currency pair breaking decisively below the key 4.08-support level on 28 October, paving the way for breaks along consecutive thresholds and closing the week at 4.0577.



Source: Bloomberg

Short-term Outlook: Attention this week will be firmly fixed on BNM's policy decision on Thursday. While markets have largely priced in the likelihood of BNM keeping the OPR unchanged, focus will remain on forward guidance and BNM's assessment of inflation risks amid persistent geopolitical tensions and structurally elevated oil prices. This will be crucial in helping markets shape policy expectations for the year ahead, offering more clarity on the timing of potential tightening. Amid growing concerns of broadening supply chain disruptions, an escalation in geopolitical tensions, and higher oil prices, the bias will remain on policy tightening. That said, more subdued than expected signals, or a perceived reluctance to tighten monetary policy should conditions warrant, could prompt a less hawkish reassessment of BNM's policy path, renewing pressure on the MYR. Looking ahead, we expect the USD/MYR pair to trade within a mildly bearish range between 4.0450-4.0750 this week.

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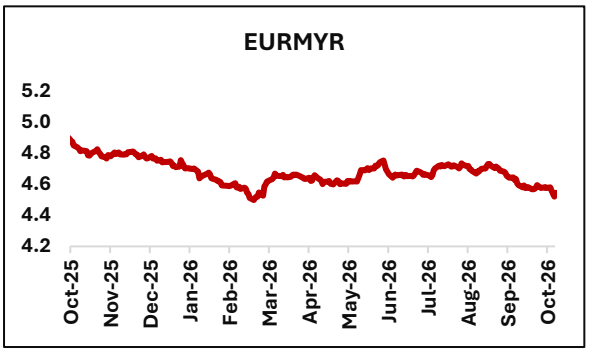
Table 2: Selected Currencies Overview (MYR Crosses)

	16-Oct	23-Oct	30-Oct	WoW	YTD
USDMYR	4.0810	4.0857	4.0582	-0.7%	-0.1%
EURMYR	4.5936	4.5758	4.5441	-0.7%	-4.6%
GBPMYR	5.4416	5.4667	5.4498	-0.3%	-0.1%
SGDMYR	3.1905	3.1967	3.1772	-0.6%	0.6%
JPYMYR	2.5833	2.6044	2.5753	-1.1%	-0.6%
AUDMYR	2.8404	2.8672	2.8534	-0.5%	5.1%
CNYMYR	0.6104	0.6125	0.6099	-0.4%	5.0%

Sources: Bloomberg, Bank Islam

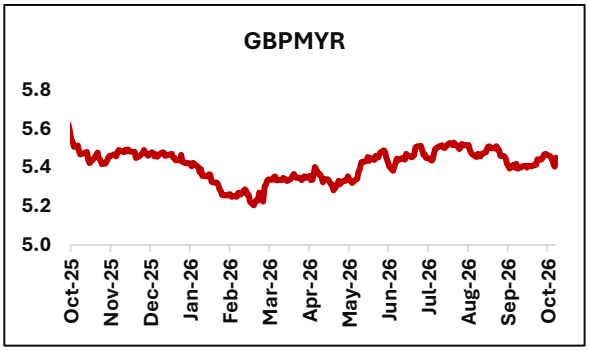
Short Term Outlook for Ringgit Pairs

The outlook for the EUR/MYR currency pair is bearish this week as prolonged concerns over social unrest in France continue to weigh on investor sentiments. In contrast, the perceived stability of BNM's policy framework and Malaysia's resilient domestic fundamentals will provide modest support to the MYR. Nevertheless, should Eurozone inflation data come in stronger-than-expected, it would reinforce expectations of near-term ECB tightening, likely improving EUR sentiments.



Source: Bloomberg

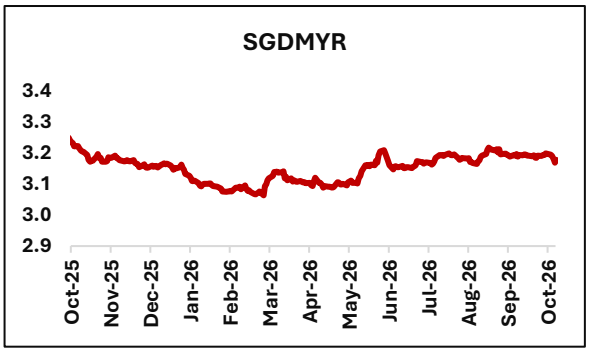
The GBP/MYR pair is expected to trade within a slightly bullish range amid the BoE's policy meeting, of which markets are widely anticipating a rate hike. Underlying price pressures in the UK have accelerated, as evidenced by a pickup in both consumer and producer prices, which would warrant tighter monetary conditions. Conversely, despite rising pipeline price pressures in Malaysia, consumer inflation remains manageable, reducing the likelihood of any near-term BNM policy action. As such, bias remains in favour of the GBP relative to the MYR this week, with the GBP/MYR pair retaining a modest bullish bias.



Source: Bloomberg

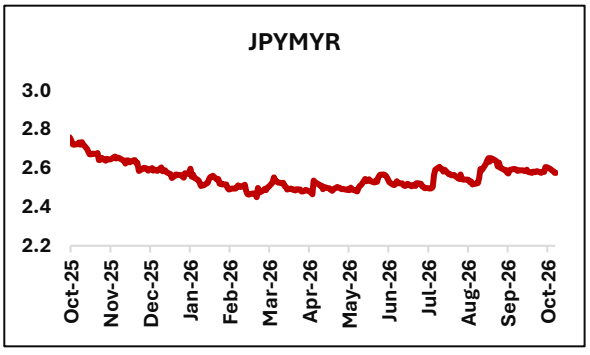
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The SGD/MYR currency pair is expected to move within a mildly bearish range this week. Singapore's data calendar will feature the release of September retail sales data, which would provide insights into domestic demand conditions and policy expectations. However, the release is unlikely to drive aggressive positioning in the SGD. In contrast, attention will remain firmly on BNM's policy meeting, where BNM is widely expected to keep the OPR unchanged while maintaining a tightening bias. Against this backdrop, the MYR is likely to retain its relative attractiveness against the SGD.



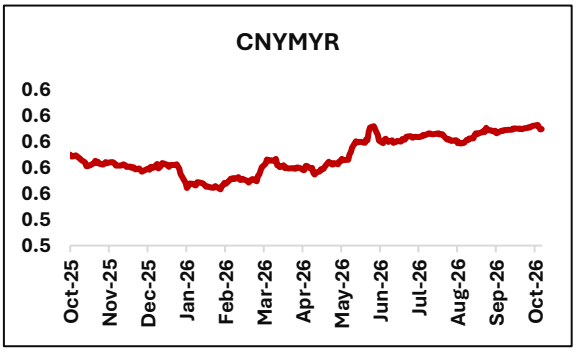
Source: Bloomberg

The outlook for the JPY/MYR currency pair remains slightly bearish in the near term. Investor focus will be fixed on BoJ's policy meeting minutes for any clues on the magnitude and pace of further policy normalisation. That said, the release is unlikely to significantly alter market pricing of a 25-bp rate hike for the BoJ's in December, limiting upside potential to the JPY. Meanwhile, any indication that BNM is ready to respond to persistent inflationary pressures, particularly amid elevated oil prices and geopolitical risks, could prompt a more hawkish reassessment of the policy trajectory for 2027. Thus, the MYR is likely to maintain its relative advantage over the JPY, keeping the JPY/MYR pair under modest downward pressure.



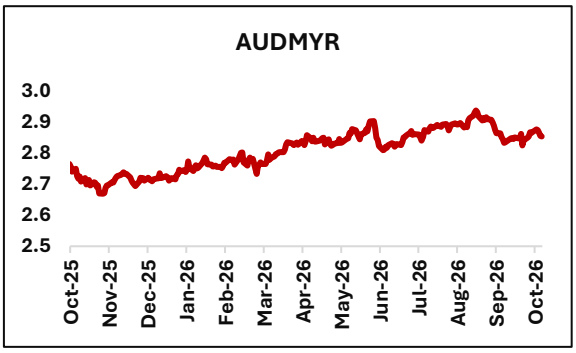
Source: Bloomberg

The CNY/MYR is expected to retain a slightly bullish bias in the near term, continuing to derive support amid the CNY's appreciation trend. On the data front, investors will closely watch China's Composite and Services PMI reports for insights on the underlying economic momentum. Recent signs of a moderation in manufacturing activity had renewed concerns over China's fragile growth momentum, thus a softer-than-expected reading may exert pressure on the CNY. Meanwhile, the MYR is expected to remain well-supported, keeping the CNY/MYR movements largely influenced by CNY sentiments.



Source: Bloomberg

The outlook for the AUD/MYR pair is mildly bullish this week, supported by growing expectations of additional policy tightening during the RBA's 3 November policy meeting. Most importantly, markets are monitoring the central bank's forward guidance, particularly as inflationary pressures appear to remain persistent despite four rate increases thus far. As such, any indication that the RBA foresees further tightening will provide structural support for the AUD. In contrast, BNM is widely expected to keep the OPR unchanged in the near term. Against this backdrop, the relative monetary policy expectations will likely continue to favour the AUD over the MYR.



Source: Bloomberg

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